By Frank Dombroski

T&E Control Refined

According to the 2006 Corporate Travel Card Benchmark Survey by RPMG Research Corporation, spending on travel cards by business and government in North America is currently about $143 billion per year and expected to grow at an annual rate of about 12 percent over the next 5 years. Overall travel spending is $205 billion, so there is opportunity for significant growth in terms of moving more T&E spending to travel cards.

As corporations look for solutions to help minimize the impact of these rising costs, JPMorgan Chase surveyed dozens of its corporate customers about their methods for growing and capitalizing on T&E card programs.

This summarizes the best practices they shared. The complete report, "Controlling & Cutting Travel and Entertainment Costs," is available from JPMorgan Chase.

Get Upper Management Support

Support for your T&E card program must come from the top. To secure senior management buy-in, demonstrate cost and time benefits by providing insight into current spending and the time devoted to purchase order processing and expense reimbursement. Communicate and provide insight into financial successes seen by other companies that have established

T&E card programs. Share benchmark reports produced by trade analyst firms like Aberdeen Group, Mercator Advisory Group or RPMG Research Corporation.

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Senior management should also play a key role in establishing or approving T&E card policies and procedures. Once the program is in place, senior management should continue to be involved. Providing company leaders with reports

on travel and entertainment-related spending can be effective in shaping existing policies. Examples of how card data could influence shifts in policy:

- Merchant Category Codes (MCCs) that are being blocked for the entire company could be unblocked for certain divisions. Perhaps the sales force should be allowed to use their cards to entertain clients at the golf course.
- When employees attend conferences or meetings, do they often arrive a day or so before the conference starts or depart a day after it ends? To save on hotel costs, perhaps a new policy should be enacted whereby employees are required to submit a copy of the conference agenda with their expense report. If the employee arrives early at or departs late from a conference, detailed reasoning must be provided and signed off by his manager.

- Is one department spending more money on travel-associated costs than another department? Do policies need to be adjusted in any way to address this discrepancy?

Mandate Use

Why mandate card usage? The usual answers are to reduce administrative and check processing costs; eliminate reliance on petty cash; increase visibility; provide

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more accurate reporting and forecasting; improve ability to leverage supplier pricing; take advantage of discounts; and reduce maverick spending

"We have virtually eliminated the manual, paper-based procurement and reimbursement process due to mandated use of the card," reports Marilyn Figueroa, T&E card program manager for the nutritional supplement retailer NBTY Inc. "As I am the sole employee managing the program, my time has been freed to focus on other value-added services such as leveraging vendor discounts, providing detailed spend analysis to senior management and assisting with Sarbanes-Oxley compliance."

George Psefteas, manager of finance shared services oversight at Chevron Corporation, oversees a mandated T&E card program with approximately 26,000 cardholders and 200,000 expense reports per year. At Chevron, the expense report approver's responsibility includes large expenses on any given report in which the T&E card was not used. In those cases, it is incumbent on the approver to follow up with the employee to find out why it was not used.

The travel card program administrator at a major consumer products company overseas a T&E card program with more than 3,000 cardholders. Employees at the company manage their expense reports using an internal online tool. To help enforce the mandatory use of the

card, employees who use their own personal card instead of the T&E card are required to submit a hard copy of their expense report, signed off by the employee's manager and divisional head. The result: in addition to any self-consciousness the employee may feel when seeking their superiors' signatures, the process often results in a 2 to 3 week gap before they are reimbursed for expenses. Employees who do use the corporate card are reimbursed within 3 business days after an approved expense report is submitted electronically.

Online Tools Increase Visibility

Corporations should seek issuers that provide a web-based payment management tool designed to support all areas of card program administration from a single, easy to use application. The top benefit: real-time visibility into travel spending.

Program administrators also can reduce the time spent authorizing, tracking, evaluating and processing payments, plus benefit from greater reporting capabilities, flexibility and program controls. From a single online system they can order new cards, modify spending limits, eliminate the ability to make unauthorized purchases, instantly adjust cardholder profiles and monitor corporate compliance. Administrators have access to a variety of standard reports that provide the transaction detail needed, including vendor analysis, unusual activity analysis, hotel spending, car rental spending and delinquency reports.

The system must be capable of replicating complex accounting rules and fully integrating with a company's existing general ledger, ERP or other accounting system. And it should be able to do this without additional data entry.

According to Beth Enslow, senior vice president of enterprise research and supply chain practice leader for Aberdeen Group, best-in-class operations are using card systems that enable cardholders to view their transactions online, while allowing card program managers to access card usage reports and run necessary queries electronically. This enables managers to effectively monitor card usage in real-time and at the same time raises the sense of responsibility among card users who are aware that their behavior is visible to their managers at all times.

"I am able to quickly deliver reports that keep senior management apprised of

T&E spending on a per month, week, person and vendor basis," says Marilyn Figueroa of NBTY Inc. "The payment management tool allows me to choose a number of graphic options when I deliver this data, whether it is in a pie chart, spreadsheet or graph. With our old paper-based method, such reports would take hours, if not days, to produce."

Controls & Business Rules

Aberdeen reports that the fear of inappropriate card usage is the #1 reason why card programs are not implemented. While the implementation of an online payment system works to address the issue of rogue spending, corporations also are putting other control measures in place.

Wayne Randall, card manager for Sears Holdings Company, oversees a program with 20,000 cardholders and approximately 144,000 expense reports per year. Among the controls in place: some transactions are questioned before a cardholder receives his/her billing statement. If spending seems too high, if the

> If employees go to meetings a day early or depart a day late, perhaps a policy requiring detailed reasoning and submission of the agenda should be required for pre-trip approval.

cardholder is conducting business in a resort town, or if the employee has booked space at a hotel that is not on the preferred vendor list, an audit is conducted. Approximately 30-60 cardholders are audited each week, while a weekly audit is conducted on hotel spending alone. Business controllers also review all transactions over $1,000.

In addition, once a cardholder has used the company's online system to file expenses, he/she is given 30 days to submit supporting documentation. Should that documentation not be received, the employee's card is suspended. Finally, managers are asked to secure the T&E cards of terminated employees. Once a month, Randall receives a list of active and terminated associates from human

resources, then cross-references the list with his own to determine if any cards need to be deactivated.

Raymond Williams, accounts payable manager at Starbucks, oversees a program with 4,300 cardholders and approximately 45,000 expense reports per year. A specialist on his team identifies transactions that fall under certain restricted merchant category codes (MCCs), as well as merchant names that have been placed on Starbuck's high-risk transaction "Hot List." Four or 5 e-mails are sent out each day asking cardholders for additional information on questionable transactions. The cardholder's manager is copied on these messages. Starbucks also audits first-time card users, and performs random audits on 5 percent of expense reports each month. The company's risk group is asked to conduct an investigation should an employee be suspected of fraud.

To help ensure against maverick spending, the major consumer products company mentioned earlier audits 20 percent of all expense reports, as well as any purchase over $3,000. In addition, expense reports are rejected if line items are improperly classified. For example, the company has a breakfast spending allowance of $15 per person. If an employee spends $150 on a breakfast meal for 10 people and classifies the cost as a personal meal, the report will be rejected. The employee must reclassify the cost as a business expense (if, in fact, business was conducted).

Sarbanes-Oxley Requirements

SOX Section 404 requires management to report on the adequacy of their company's internal control over financial reporting. Documenting and testing important financial controls requires enormous effort. The reporting and visibility tools supporting your company's T&E program enable you to more effectively prevent or detect potential fraud and demonstrate to the auditors that a substantial risk management program is in place.

Robyn Fortlage, T&E card program administrator for TDS Telecom, worked with the company's internal auditing team on SOX guidelines for the purchasing card program she also manages. Fortlage applied those same SOX guidelines to her T&E program. Among them: employees will receive a card only if their application has been approved by their supervisor; supervisor approval must be received on

all expense reports; all outstanding card balances must be paid off; and cards are cancelled within one business day after an employee departs the company. Fortlage's online reporting and visibility tool vastly improves the auditing process.

Starbucks addresses SOX compliance by regularly auditing the T&E spending of its senior executives — essentially any per-

> Fortlage applied SOX guidelines to her T&E program: employees receive a card only if it's approved by their supervisor; supervisor approval must be received on all expense reports; all outstanding balances must be paid off.

sonnel listed as an officer in their annual report. According to Williams, "Our senior executives set the tone for the entire company, so financial reporting for that group must be accurate."

Manage Delinquency

There are a number of ways that corporations can better manage delinquency, and visibility tools can help. Corporations should partner with a card issuer that is able to link quickly and seamlessly with a variety of expense management systems — Concur, Gelco (soon to be acquired by Concur), SAP etc. This provides full visibility into all card activity, including unsubmitted expenses, thus providing card administrators with an effective means to battle delinquency.

Jones Apparel Group launched its card program in 2003. More than 2,000 cardholders from its Nine West, Moderate Apparel and Better Apparel groups participate. The company has linked its T&E card program to the Gelco system. In the past, the company often had $1 million worth of expense reports in the queue; processing could take 120-160 days. With tightened integration between the card issuer's system and Gelco, there are now only $9,000 in outstanding expense reports at any given time. The oldest expense report to be processed is only 30 days old.

Linking T&E card data with an expense management system also has helped reduce manual processing and freed up time for personnel to focus on more value-added work, says Jones' accounts payable manager, Karen Curione. For example, the company regularly runs reports on employee receivables to determine which employees are late in submitting their expenses. If an employee puts the company in jeopardy of being delinquent, an e-mail is sent to that employee and his/her manager is copied. If a manager is late in approving expense reports, that manager receives a personal phone call. If a late fee is imposed, it becomes the responsibility of the employee to pay the fee and the employee's card is suspended. Only a letter from his/her divisional CFO will get the card reactivated.

The process at Starbucks is similar: at 30 days, an e-mail is sent to the cardholder warning him/her that the account is past due; at 60 days, an e-mail is sent to the cardholder and his/her manager, and the account is suspended; at 90 days, the cardholder's HR manager is also copied; at 120 days, the account is closed and an e-mail is sent to the cardholder's divisional vice president and the head of the risk group. Since implementing this control, Starbucks has seen a 98 percent decrease in accounts that are 120 days past due. If a cardholder hopes to get the account reactivated, senior vice president sign-off is required, and the cardholder must take a one-on-one training course with the company's auditor.

At U.S. Cellular, says Heidi Juiris, corporate travel manager, the card is cancelled at 90 days and the company is authorized to start deducting the remaining card balance from the employee's paycheck, at a rate of approximately $50-$100 per paycheck.

At Tenneco Inc., says travel administrator Sue Westover, if an employee's delinquent account is reactivated with senior management approval, the cardholder's spending limit is reduced and the account is closely monitored for 6 months. Westover says the company has halved late fees by mirroring their payment calendar to the billing cycle of their card issuer.

As a hypothetical example, if a company's expense cycle typically runs from the first day to the last day of the month, late fees could be avoided by filing expense account payments to the bank's

billing cycle that starts on the 8th day and ends on the 7th day.

Leverage Vendor Discounts

Internationally renowned jeweler Tiffany & Co. has issued T&E cards to more than 1,000 employees, primarily those involved with business sales, purchasing and establishing new retail outlets in the US and overseas. According to Eric Ziegler, Tiffany's accounts payable manager, the travel card assisted the company to negotiate better rates with its suppliers, due to enhanced visibility into spending. Discounts with its top travel vendors have been in the range of 15 percent to 20 percent, while overall costs associated with travel have dropped approximately 10 percent as a result of negotiated discounts.

Woodward Governor, the world's largest manufacturer of energy control systems for aircraft engines, turbines and other power equipment, implemented its T&E card program in 2005. The company has issued approximately 550 cards and manages about 10,000 expense reports a year. According to Craig Culver, global commodity manager, Woodward Governor has looked beyond hotels, car rental and airfare and used spending data to identify opportunities in other categories such as business meal expenses and ground transportation.

Support Travelers

With T&E cards, employees do not have to worry about submitting paperwork for cash advances or using personal cards or cash while on the road. But your cardholders' lives can be made easier in other ways while traveling on business. Make sure:
• that the card is accepted worldwide.
• that cardholders have quick and easy access to bilingual operators 24 hours a day, 7 days a week to provide support when a card is lost or stolen, assist in increasing spending limits, and more.
• that your card issuer provides a robust suite of insurance benefits, such as travel accident, lost luggage, car rental, emergency evacuation and hotel/motel burglary coverage.

While some commercial card providers take a hands-off approach once implementation is complete, others are available to help afterwards as well. A consultative approach relies on a clear understanding of an institution's objectives, processes and philosophy. Some providers will even help write policies and

procedures and have industry subject matter experts available to conduct a comprehensive quantitative analysis and qualitative review of your existing program.

Look for an issuer that can custom tailor training to help launch a new program or enhance an existing one. Training programs could include cardholder training to facilitate the understanding of policies and procedures to maximize usage within guidelines; or program administrator training enabling for effective management of the program.

While training in-person or via conference call could be offered every month or so, companies may want to consider establishing a brief online course or quiz. A record of those who take the course or pass the quiz can be maintained to further support your company's Sarbanes-Oxley initiatives.

Chevron currently requires mandatory training for its purchasing card users and soon will launch its new travel expense accounting compliance training program for T&E card users. Participation will be required as cards are issued and repeated every two years for employees to continue using the card.

Starbucks partners (i.e. employees) who sign up for a card also are required to attend a training session. Approximately 100 are trained each month, either in-person or via a web conferencing tool. Topics covered during the program include an overview of the company's T&E policy, expense reporting requirements, how to use the expense reporting system, "dos and don'ts" of card usage, plus an overview of the controls and auditing system in place to monitor card use.

To help promote your initiative and save time answering participants' questions, establish an Intranet site dedicated to your T&E card program. Include an overview of the program; detailed information on policies, procedures and restrictions; enrollment instructions; cardholder responsibilities; FAQs; and a list of department contacts. Continue to add to the site as policies or procedures change. Consider offering employees "Travel Tips of the Month" or "Corporate Card Do's and Don'ts" on the site.

Tenneco Inc. has designed a wallet-size card sleeve and quick reference guide that is distributed to every cardholder. The card sleeve is imprinted with the name and phone number of the local card program coordinator, instructions on how to report

a lost or stolen card, as well as details concerning the cardholder's single transaction and monthly transaction limits. The foldable quick reference guide provides details on proper card use, limit increases, receipt approval, missing receipts, disputes and reconciling. According to Westover, the number of card-related telephone and e-mail inquiries that she receives has dropped significantly since issuing the sleeve and guide.

"Having the Ricoh logo on our card helped us successfully market the card internally. The card was marketed here as a bit of a status symbol, generating great word of mouth," says Ricoh's Maria McSorley, manager of corporate travel and special events. "Everybody wanted one. In addition, custom branding is great marketing for us in the field. Ricoh salespeople have told me that our clients have been impressed at business lunches when they see that Ricoh has its own branded credit card."

In addition to attending conferences sponsored by groups such as the Association of Corporate Travel Executives, the Association for Financial Professionals, or the National Business Travelers Association, many professionals with T&E card management oversight participate in peer-based networking and benchmarking activities. Other groups available include the Accounts Payable Network, RPMG Research Corporation and the Shared Services Roundtable.

Finally, seek to partner with an issuer that hosts regular networking opportunities, whether they are annual user conferences or user groups that meet on a regular basis. **BTE**

Frank Dombroski manages the commercial card solutions business for JPMorgan Chase, responsible for development of products that streamline business purchasing and payment processes and leverage a comprehensive reporting and program management system. Prior to joining JPMC, Dombroski headed two emerging technology companies that provided enterprise-wide technology and process automation for the airline and corporate travel industries. He also spent 12 years at American Express Travel Related Services and was a central figure in the development and launch of the American Express Corporate Purchasing Card.